

1-1 By: Ritter, et al. (Senate Sponsor - Fraser) H.B. No. 4
1-2 (In the Senate - Received from the House April 2, 2013;
1-3 April 8, 2013, read first time and referred to Committee on Natural
1-4 Resources; April 22, 2013, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 11, Nays 0;
1-6 April 22, 2013, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18	X			
1-19	X			

1-20 COMMITTEE SUBSTITUTE FOR H.B. No. 4 By: Fraser

1-21 A BILL TO BE ENTITLED
1-22 AN ACT

1-23 relating to the administration and functions of the Texas Water
1-24 Development Board; authorizing the issuance of revenue bonds.

1-25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-26 ARTICLE 1. ADMINISTRATION OF THE TEXAS WATER DEVELOPMENT BOARD

1-27 SECTION 1.01. Sections 6.052(a) and (b), Water Code, are
1-28 amended to read as follows:

1-29 (a) The board is composed of three [~~six~~] members who are
1-30 appointed by the governor with the advice and consent of the senate.
1-31 One member must have experience in the field of engineering, one
1-32 member must have experience in the field of public or private
1-33 finance, and one member must have experience in the field of law or
1-34 business.

1-35 (b) The governor shall make the appointments in such a
1-36 manner that the members reflect the diverse geographic regions and
1-37 population groups of this state and do not have any conflicts [~~each~~
1-38 ~~member is from a different section of the state and has no conflict~~]
1-39 of interest prohibited by state or federal law.

1-40 SECTION 1.02. Section 6.053, Water Code, is amended by
1-41 adding Subsection (d) to read as follows:

1-42 (d) A person is not eligible for appointment to the board if
1-43 the person served on the board on or before January 1, 2013.

1-44 SECTION 1.03. Section 6.054, Water Code, is amended by
1-45 amending Subsection (c) and adding Subsection (d) to read as
1-46 follows:

1-47 (c) If the executive administrator or a member has knowledge
1-48 that a potential ground for removal exists, the executive
1-49 administrator shall notify the chairman of the board of the
1-50 potential ground. The chairman of the board shall then notify the
1-51 governor and the attorney general that a potential ground for
1-52 removal exists. If the potential ground for removal includes the
1-53 chairman of the board, the executive administrator or another
1-54 member of the board shall notify the member [~~next highest ranking~~
1-55 ~~officer~~] of the board with the most seniority, who shall then notify
1-56 the governor and the attorney general that a potential ground for
1-57 removal exists.

1-58 (d) The governor, with the advice and consent of the senate,
1-59 may remove a board member from office as provided by Section 9,
1-60 Article XV, Texas Constitution.

2-1 SECTION 1.04. Section 6.056, Water Code, is amended to read
2-2 as follows:

2-3 Sec. 6.056. TERMS OF OFFICE. (a) The members of the board
2-4 hold office for staggered terms of six years, with the term [terms]
2-5 of one member ~~[two members]~~ expiring February 1 of each
2-6 odd-numbered year ~~[every two years]~~. Each member holds office
2-7 until a [his] successor is appointed and has qualified.

2-8 (b) A person appointed to the board may not serve for more
2-9 than two six-year terms.

2-10 SECTION 1.05. Section 6.059, Water Code, is amended to read
2-11 as follows:

2-12 Sec. 6.059. CHAIRMAN OF THE BOARD ~~[OFFICERS]~~. ~~[(a)]~~ The
2-13 governor shall designate one member as chairman of the board to
2-14 serve at the will of the governor.

2-15 ~~[(b) The members of the board shall elect a vice-chairman~~
2-16 ~~every two years. The board shall fill a vacancy in the office of~~
2-17 ~~vice-chairman for the remainder of the unexpired term.]~~

2-18 SECTION 1.06. Sections 6.060(a) and (b), Water Code, are
2-19 amended to read as follows:

2-20 (a) The board shall hold regular meetings and all hearings
2-21 at times specified by a board order and entered in its minutes ~~[meet~~
2-22 ~~at least once every other month on a day and at a place within the~~
2-23 ~~state selected by it, subject to recesses at the discretion of the~~
2-24 ~~board].~~ The [chairman or two] board [members] may hold special
2-25 meetings at the times and places in this state that the board
2-26 decides are appropriate for the performance of its duties. The
2-27 chairman of the board or the board member acting for the chairman
2-28 shall give the other members reasonable notice before holding a
2-29 special meeting ~~[call a special meeting at any time by giving notice~~
2-30 ~~to the other members].~~

2-31 (b) The chairman [or in his absence the vice-chairman] shall
2-32 preside at all meetings of the board. The chairman may designate
2-33 another board member to act for the chairman in the chairman's
2-34 absence.

2-35 SECTION 1.07. Section 6.061, Water Code, is amended to read
2-36 as follows:

2-37 Sec. 6.061. FULL-TIME SERVICE. Each member of the board
2-38 shall serve on a full-time basis. ~~[COMPENSATION, EXPENSES. A~~
2-39 ~~member is entitled to receive an amount as provided by the General~~
2-40 ~~Appropriations Act for each day he serves in the performance of his~~
2-41 ~~duties, together with travel and other necessary expenses.]~~

2-42 SECTION 1.08. Section 6.103, Water Code, is amended to read
2-43 as follows:

2-44 Sec. 6.103. EXECUTIVE ADMINISTRATOR. The board shall
2-45 appoint a person to be the executive administrator to serve at the
2-46 will of the board. A person is not eligible for appointment as the
2-47 executive administrator if the person served in that capacity on
2-48 January 1, 2013.

2-49 SECTION 1.09. (a) Not later than September 1, 2013, the
2-50 governor shall appoint the initial members of the Texas Water
2-51 Development Board under Section 6.052, Water Code, as amended by
2-52 this Act. In appointing the initial members of the board, the
2-53 governor shall appoint one person to a term expiring February 1,
2-54 2015, one to a term expiring February 1, 2017, and one to a term
2-55 expiring February 1, 2019.

2-56 (b) The terms of the current members of the board expire
2-57 September 1, 2013.

2-58 SECTION 1.10. (a) Not later than October 1, 2013, the Texas
2-59 Water Development Board shall appoint the executive administrator
2-60 of the board under Section 6.103, Water Code, as amended by this
2-61 Act.

2-62 (b) The person currently serving as the executive
2-63 administrator of the board ceases to serve in that capacity on the
2-64 date a new executive administrator is appointed under Subsection
2-65 (a) of this section.

2-66 ARTICLE 2. FUNDING OF WATER PROJECTS

2-67 SECTION 2.01. (a) The legislature recognizes the
2-68 importance of providing for this state's future water supply needs.
2-69 The purpose of this article is to ensure that proper funding in the

3-1 form of meaningful and adequate financial assistance is available
3-2 to provide an adequate water supply for the future of this state.

3-3 (b) To accomplish that purpose, this article creates the
3-4 state water implementation fund for Texas. The fund is intended to
3-5 serve as a water infrastructure bank in order to enhance the
3-6 financing capabilities of the Texas Water Development Board under
3-7 constitutionally created programs and revenue bond programs. The
3-8 fund provides a source of revenue or security for those programs and
3-9 provides a cash flow mechanism under which money used in board
3-10 programs flows back to the fund to provide protection for the fund's
3-11 corpus. Money in the fund will be available immediately to provide
3-12 support for low-interest loans, longer repayment terms for loans,
3-13 incremental repurchase terms for projects in which the state owns
3-14 an interest, and deferral of loan payments. Money in the fund may
3-15 not be used to make grants. In addition, this article creates the
3-16 state water implementation revenue fund for Texas for use in
3-17 managing revenue bonds issued by the board that are supported by the
3-18 state water implementation fund for Texas.

3-19 SECTION 2.02. Chapter 15, Water Code, is amended by adding
3-20 Subchapters G and H to read as follows:

3-21 SUBCHAPTER G. STATE WATER IMPLEMENTATION FUND FOR TEXAS

3-22 Sec. 15.431. DEFINITIONS. In this subchapter:

3-23 (1) "Advisory committee" means the State Water
3-24 Implementation Fund for Texas Advisory Committee.

3-25 (2) "Fund" means the state water implementation fund
3-26 for Texas.

3-27 (3) "Trust company" means the Texas Treasury
3-28 Safekeeping Trust Company.

3-29 Sec. 15.432. FUND. (a) The state water implementation fund
3-30 for Texas is a special fund outside the state treasury to be used by
3-31 the board, without further legislative appropriation, for the
3-32 purpose of implementing the state water plan as provided by this
3-33 subchapter. The board may establish separate accounts in the fund.
3-34 The fund and the fund's accounts are kept and held by the trust
3-35 company for and in the name of the board. The board has legal title
3-36 to money and investments in the fund until money is disbursed from
3-37 the fund as provided by this subchapter and board rules.

3-38 (b) Money deposited to the credit of the fund may be used
3-39 only as provided by this subchapter.

3-40 (c) The fund consists of:

3-41 (1) money transferred or deposited to the credit of
3-42 the fund by law, including money from any source transferred or
3-43 deposited to the credit of the fund at the board's discretion as
3-44 authorized by law;

3-45 (2) the proceeds of any fee or tax imposed by this
3-46 state that by statute is dedicated for deposit to the credit of the
3-47 fund;

3-48 (3) any other revenue that the legislature by statute
3-49 dedicates for deposit to the credit of the fund;

3-50 (4) investment earnings and interest earned on amounts
3-51 credited to the fund; and

3-52 (5) money transferred to the fund under a bond
3-53 enhancement agreement from another fund or account to which money
3-54 from the fund was transferred under a bond enhancement agreement,
3-55 as authorized by Section 15.435.

3-56 Sec. 15.433. MANAGEMENT AND INVESTMENT OF FUND. (a) The
3-57 trust company shall hold and invest the fund, and any accounts
3-58 established in the fund, for and in the name of the board, taking
3-59 into account the purposes for which money in the fund may be used.
3-60 The fund may be invested with the state treasury pool.

3-61 (b) The overall objective for the investment of the fund is
3-62 to maintain sufficient liquidity to meet the needs of the fund while
3-63 striving to preserve the purchasing power of the fund.

3-64 (c) The trust company has any power necessary to accomplish
3-65 the purposes of managing and investing the assets of the fund. In
3-66 managing the assets of the fund, through procedures and subject to
3-67 restrictions the trust company considers appropriate, the trust
3-68 company may acquire, exchange, sell, supervise, manage, or retain
3-69 any kind of investment that a prudent investor, exercising

4-1 reasonable care, skill, and caution, would acquire or retain in
 4-2 light of the purposes, terms, distribution requirements, and other
 4-3 circumstances of the fund then prevailing, taking into
 4-4 consideration the investment of all the assets of the fund rather
 4-5 than a single investment.

4-6 (d) The trust company may charge fees to cover its costs
 4-7 incurred in managing and investing the fund. The fees must be
 4-8 consistent with the fees the trust company charges other state and
 4-9 local governmental entities for which it provides investment
 4-10 management services. The trust company may recover fees it charges
 4-11 under this subsection only from the earnings of the fund.

4-12 (e) The trust company annually shall provide a written
 4-13 report to the board and to the advisory committee with respect to
 4-14 the investment of the fund. The trust company shall contract with a
 4-15 certified public accountant to conduct an independent audit of the
 4-16 fund annually and shall present the results of each annual audit to
 4-17 the board and to the advisory committee. This subsection does not
 4-18 affect the state auditor's authority to conduct an audit of the fund
 4-19 under Chapter 321, Government Code.

4-20 (f) The trust company shall adopt a written investment
 4-21 policy that is appropriate for the fund. The trust company shall
 4-22 present the investment policy to the investment advisory board
 4-23 established under Section 404.028, Government Code. The investment
 4-24 advisory board shall submit to the trust company recommendations
 4-25 regarding the policy.

4-26 (g) The board annually shall provide to the trust company a
 4-27 forecast of the cash flows into and out of the fund. The board shall
 4-28 provide updates to the forecasts as appropriate to ensure that the
 4-29 trust company is able to achieve the objective specified by
 4-30 Subsection (b).

4-31 (h) The trust company shall disburse money from the fund as
 4-32 directed by the board. The board shall direct disbursements from
 4-33 the fund on a semiannual schedule specified by the board and not
 4-34 more frequently than twice in any state fiscal year.

4-35 (i) An investment-related contract entered into under this
 4-36 section is not subject to Chapter 2260, Government Code.

4-37 Sec. 15.434. USE OF FUND; PAYMENTS TO AND FROM OTHER FUNDS
 4-38 OR ACCOUNTS. (a) At the direction of the board, the trust company
 4-39 shall make disbursements from the fund to another fund or account
 4-40 pursuant to a bond enhancement agreement authorized by Section
 4-41 15.435 in the amounts the board determines are needed for debt
 4-42 service payments on or security provisions of the board's general
 4-43 obligation bonds or revenue bonds, after considering all other
 4-44 sources available for those purposes in the respective fund or
 4-45 account.

4-46 (b) Of the money disbursed from the fund during the
 4-47 five-year period between the adoption of a state water plan and the
 4-48 adoption of a new plan, the board shall undertake to apply not less
 4-49 than:

4-50 (1) 10 percent to support projects described by
 4-51 Section 15.435 that are for:

4-52 (A) rural political subdivisions as defined by
 4-53 Section 15.992; or

4-54 (B) agricultural water conservation; and

4-55 (2) 20 percent to support projects described by
 4-56 Section 15.435 that are designed for water conservation or reuse,
 4-57 including agricultural water conservation in:

4-58 (A) metropolitan statistical areas with a
 4-59 population of 325,000 or less; or

4-60 (B) counties that are outside the boundaries of
 4-61 any metropolitan statistical area.

4-62 Sec. 15.435. BOND ENHANCEMENT AGREEMENTS. (a) A bond
 4-63 enhancement agreement entered into under this section is an
 4-64 agreement for professional services. A bond enhancement agreement
 4-65 must contain terms that are consistent with Section 15.433(h), and
 4-66 the agreement, including the period covered by the agreement and
 4-67 all other terms and conditions of the agreement, must be approved by
 4-68 the board. An obligation to disburse money from the fund in
 4-69 accordance with a bond enhancement agreement is a special

5-1 obligation of the board payable solely from designated income and
 5-2 receipts of the fund or an account in the fund established by the
 5-3 board, as determined by the board. An obligation to disburse money
 5-4 from the fund in accordance with a bond enhancement agreement does
 5-5 not constitute indebtedness of the state.

5-6 (b) To facilitate the use of the fund for the purposes of
 5-7 this subchapter, the board may direct the trust company to enter
 5-8 into bond enhancement agreements to provide a source of revenue or
 5-9 security for the payment of the principal of and interest on general
 5-10 obligation bonds, including bonds issued under Section 49-d-9 or
 5-11 49-d-11, Article III, Texas Constitution, or revenue bonds issued
 5-12 by the board to finance or refinance projects included in the state
 5-13 water plan if the proceeds of the sale of the bonds have been or will
 5-14 be deposited to the credit of:

5-15 (1) the state water implementation revenue fund for
 5-16 Texas;
 5-17 (2) the water infrastructure fund;
 5-18 (3) the rural water assistance fund;
 5-19 (4) the Texas Water Development Fund II state
 5-20 participation account; or
 5-21 (5) the agricultural water conservation fund.

5-22 (c) If the trust company enters into a bond enhancement
 5-23 agreement under Subsection (b), the board may direct the trust
 5-24 company to make disbursements from the fund to another fund or
 5-25 account for the support of bonds the proceeds of which are used to
 5-26 provide financial assistance in the form of:

5-27 (1) a loan bearing an interest rate of not less than 50
 5-28 percent of the then-current market rate of interest available to
 5-29 the board;

5-30 (2) a loan to finance a facility under repayment terms
 5-31 similar to the terms of debt customarily issued by the entity
 5-32 requesting assistance but not to exceed the lesser of:

5-33 (A) the expected useful life of the facility; or
 5-34 (B) 30 years;

5-35 (3) a deferral of loan repayment, including deferral
 5-36 of the repayment of:

5-37 (A) principal and interest; or
 5-38 (B) accrued interest;

5-39 (4) incremental repurchase terms for an acquired
 5-40 facility, including terms for no initial repurchase payment
 5-41 followed by progressively increasing incremental levels of
 5-42 interest payment, repurchase of principal and interest, and
 5-43 ultimate repurchase of the entire state state interest in the facility
 5-44 using simple interest calculations; or

5-45 (5) a combination of the methods of financing
 5-46 described by Subdivisions (1)-(4).

5-47 (d) The board may direct the trust company to enter into
 5-48 bond enhancement agreements with respect to bonds issued by the
 5-49 board before September 1, 2013, only if:

5-50 (1) those bonds otherwise satisfy the requirements of
 5-51 Subsections (b) and (c);

5-52 (2) the proceeds of those bonds were or are required to
 5-53 be used only for the implementation of water projects recommended
 5-54 through the state and regional water planning processes under
 5-55 Sections 16.051 and 16.053; and

5-56 (3) general revenue of the state was appropriated
 5-57 before September 1, 2013, for the payment of debt service on those
 5-58 bonds.

5-59 (e) The board may direct the trust company to enter into
 5-60 bond enhancement agreements with respect to refunding bonds issued
 5-61 by the board to refund bonds issued by the board the proceeds of
 5-62 which have been or are to be used for projects included in the state
 5-63 water plan and which otherwise satisfied the requirements of
 5-64 Subsections (b) and (c).

5-65 (f) The board may not direct the trust company to enter into
 5-66 a bond enhancement agreement with respect to bonds issued by the
 5-67 board the proceeds of which have been or are to be used to make
 5-68 grants.

5-69 (g) The board may not direct the trust company to enter into

6-1 a bond enhancement agreement with respect to bonds issued by the
 6-2 board the proceeds of which may be used to provide financial
 6-3 assistance to an applicant if at the time of the request the
 6-4 applicant has failed to:

6-5 (1) submit or implement a water conservation plan in
 6-6 accordance with Section 11.1271; or

6-7 (2) satisfactorily complete a request by the executive
 6-8 administrator or a regional water planning group for information
 6-9 relevant to the project for which the financial assistance is
 6-10 sought, including a water infrastructure financing survey under
 6-11 Section 16.053(q).

6-12 (h) The board may not approve a bond enhancement agreement
 6-13 with respect to bonds issued by the board unless the agreement
 6-14 contains a provision to the effect that if the trust company makes a
 6-15 disbursement under the bond enhancement agreement from the fund to
 6-16 the credit of another fund or account as provided by Section
 6-17 15.434(a), the board shall direct the comptroller to transfer an
 6-18 amount not to exceed that amount from the fund or account receiving
 6-19 the payment back to the fund if:

6-20 (1) money is available in the surplus balance in the
 6-21 fund or account for that purpose; and

6-22 (2) the money transferred back to the fund will not
 6-23 cause general obligation bonds that are payable from the fund or
 6-24 account receiving the payment to no longer be self-supporting for
 6-25 purposes of Section 49-j(b), Article III, Texas Constitution.

6-26 (i) For purposes of Subsection (h)(1), the surplus balance
 6-27 of a fund or account that receives a disbursement from the fund
 6-28 under a bond enhancement agreement is the amount of money on deposit
 6-29 in the fund or account, as determined by the board, that is
 6-30 attributable to the general obligation bonds or revenue bonds that
 6-31 are the subject of the bond enhancement agreement, including money
 6-32 received from the sale or other disposition of the board's rights to
 6-33 receive repayment of financial assistance, money received from the
 6-34 sale, transfer, or lease of an acquired facility, money received
 6-35 from the sale of water associated with an acquired facility, and
 6-36 related investment earnings, that exceeds the amount required to
 6-37 pay annual debt service on the bonds and any other amounts specified
 6-38 in the resolution or other proceedings authorizing the bonds and
 6-39 any related obligations.

6-40 (j) The board shall submit each bond enhancement agreement
 6-41 and the record relating to the agreement to the attorney general for
 6-42 examination as to the validity of the agreement. If the attorney
 6-43 general finds that the agreement has been made in accordance with
 6-44 the constitution and other laws of this state, the attorney general
 6-45 shall approve the agreement and the comptroller shall register the
 6-46 agreement. If the agreement is not submitted at the same time that
 6-47 the bonds to which it relates are submitted, the agreement shall be
 6-48 treated as a public security solely for the purposes of Section
 6-49 1202.004, Government Code.

6-50 (k) After a bond enhancement agreement has been approved and
 6-51 registered as provided by Subsection (j), the agreement is valid
 6-52 and is incontestable for any cause.

6-53 Sec. 15.436. PRIORITIZATION OF PROJECTS BY REGIONAL WATER
 6-54 PLANNING GROUPS. (a) Each regional water planning group shall
 6-55 prioritize projects in its respective regional water planning area
 6-56 for the purposes of Section 15.435. At a minimum, a regional water
 6-57 planning group must consider the following criteria in prioritizing
 6-58 each project:

6-59 (1) the decade in which the project will be needed;

6-60 (2) the feasibility of the project, including the
 6-61 availability of water rights for purposes of the project and the
 6-62 hydrological and scientific practicability of the project;

6-63 (3) the sustainability of the project, taking into
 6-64 consideration the life of the project; and

6-65 (4) the cost-effectiveness of the project, taking into
 6-66 consideration the expected unit cost of the water to be supplied by
 6-67 the project.

6-68 (b) In prioritizing projects, each regional water planning
 6-69 group shall include projects that meet long-term needs as well as

7-1 projects that meet short-term needs.

7-2 (c) The board shall create a stakeholders committee
 7-3 composed of the presiding officer or a person designated by the
 7-4 presiding officer of each regional water planning group to
 7-5 establish standards to be used by the regional water planning
 7-6 groups in prioritizing projects under this section. The
 7-7 stakeholders committee may establish different standards to be used
 7-8 by different regional water planning groups as necessary to account
 7-9 for different circumstances affecting each region. Standards
 7-10 established under this subsection must be approved by the board.
 7-11 The board shall consult the stakeholders committee from time to
 7-12 time regarding regional prioritization of projects.

7-13 (d) Each regional water planning group shall submit to the
 7-14 board the prioritization developed by the group under this section
 7-15 together with the group's respective regional water plan developed
 7-16 and submitted under Section 16.053.

7-17 Sec. 15.437. PRIORITIZATION OF PROJECTS BY BOARD. (a) The
 7-18 board shall prioritize projects included in the state water plan
 7-19 for the purpose of providing financial assistance under this
 7-20 subchapter.

7-21 (b) The board shall establish a system for prioritizing
 7-22 projects for which financial assistance is sought from the board.
 7-23 The system must provide for giving priority to projects in the
 7-24 following order:

7-25 (1) projects that develop new water supplies, provide
 7-26 for the conservation or reuse of existing supplies, or provide for
 7-27 the conveyance of new water supplies to a water supply system;

7-28 (2) projects for new or expanded water treatment
 7-29 plants to treat newly developed water supplies; and

7-30 (3) projects that meet unidentified future water
 7-31 supply needs.

7-32 (c) The system established under Subsection (b) must
 7-33 incorporate the following prioritization criteria:

7-34 (1) the recommendation of the state water plan
 7-35 regarding timing of implementation of the project;

7-36 (2) the scope of the regional benefits of the project,
 7-37 considering the number of entities and the size of the population to
 7-38 be served by the project or other factors;

7-39 (3) the type of state financial assistance sought for
 7-40 the project;

7-41 (4) the percentage of the water supply needs of the
 7-42 region served by the project that will be met by the project;

7-43 (5) the status of implementation of the project;

7-44 (6) the amount of local funds to be used to finance the
 7-45 project; and

7-46 (7) the priority given the project by the applicable
 7-47 regional water planning group under Section 15.436.

7-48 Sec. 15.438. ADVISORY COMMITTEE. (a) The State Water
 7-49 Implementation Fund for Texas Advisory Committee is composed of the
 7-50 following seven members:

7-51 (1) the comptroller, or a person designated by the
 7-52 comptroller;

7-53 (2) three members of the senate appointed by the
 7-54 lieutenant governor, including:

7-55 (A) a member of the committee of the senate
 7-56 having primary jurisdiction over matters relating to finance; and

7-57 (B) a member of the committee of the senate
 7-58 having primary jurisdiction over natural resources; and

7-59 (3) three members of the house of representatives
 7-60 appointed by the speaker of the house of representatives,
 7-61 including:

7-62 (A) a member of the committee of the house of
 7-63 representatives having primary jurisdiction over appropriations;
 7-64 and

7-65 (B) a member of the committee of the house of
 7-66 representatives having primary jurisdiction over natural
 7-67 resources.

7-68 (b) The following persons shall serve as staff support for
 7-69 the advisory committee:

8-1 (1) the deputy executive administrator of the board
8-2 who is responsible for water science and conservation or a person
8-3 who holds an equivalent position at the agency, or a person
8-4 designated by that person;

8-5 (2) the deputy executive administrator of the board
8-6 who is responsible for water resources planning and information or
8-7 a person who holds an equivalent position at the agency, or a person
8-8 designated by that person; and

8-9 (3) the chief financial officer of the board, or a
8-10 person who holds an equivalent position at the agency.

8-11 (c) The advisory committee shall select a nationally
8-12 recognized bond counsel and financial advisor to serve as the
8-13 advisory committee's independent legal counsel for the purpose of
8-14 advising the advisory committee in connection with the
8-15 administration of the advisory committee's duties under this
8-16 section. The board is responsible for paying the cost of retaining
8-17 a bond counsel and financial advisor and may pay the cost from the
8-18 fund.

8-19 (d) An appointed member of the advisory committee serves at
8-20 the will of the person who appointed the member.

8-21 (e) The lieutenant governor shall appoint a co-presiding
8-22 officer of the advisory committee from among the members appointed
8-23 by the lieutenant governor, and the speaker of the house of
8-24 representatives shall appoint a co-presiding officer of the
8-25 committee from among the members appointed by the speaker.

8-26 (f) The advisory committee may hold public hearings, formal
8-27 meetings, or work sessions. Either co-presiding officer of the
8-28 advisory committee may call a public hearing, formal meeting, or
8-29 work session of the advisory committee at any time. The advisory
8-30 committee may not take formal action at a public hearing, formal
8-31 meeting, or work session unless a quorum of the committee is
8-32 present.

8-33 (g) Except as otherwise provided by this subsection, a
8-34 member of the advisory committee is not entitled to receive
8-35 compensation for service on the committee or reimbursement for
8-36 expenses incurred in the performance of official duties as a member
8-37 of the committee. Service on the advisory committee by a member of
8-38 the senate or house of representatives is considered legislative
8-39 service for which the member is entitled to reimbursement and other
8-40 benefits in the same manner and to the same extent as for other
8-41 legislative service.

8-42 (h) The advisory committee shall submit comments and
8-43 recommendations to the board regarding the use of money in the fund
8-44 for use by the board in adopting rules under Section 15.439 and in
8-45 adopting policies and procedures under Section 15.441. The
8-46 submission must include:

8-47 (1) comments and recommendations on rulemaking
8-48 related to the prioritization of projects in regional water plans
8-49 and the state water plan in accordance with Sections 15.436 and
8-50 15.437;

8-51 (2) comments and recommendations on rulemaking
8-52 related to establishing standards for determining whether projects
8-53 meet the criteria provided by Section 15.434(b);

8-54 (3) an evaluation of the available programs for
8-55 providing financing for projects included in the state water plan
8-56 and guidelines for implementing those programs, including
8-57 guidelines for providing financing for projects included in the
8-58 state water plan that are authorized under Subchapter Q or R of this
8-59 chapter, Subchapter E or F, Chapter 16, or Subchapter J, Chapter 17;

8-60 (4) an evaluation of the lending practices of the
8-61 board and guidelines for lending standards;

8-62 (5) an evaluation of the use of funds by the board to
8-63 provide support for financial assistance for water projects,
8-64 including support for the purposes described by Section 15.435(c);

8-65 (6) an evaluation of whether premium financing
8-66 programs should be established within the funds described by
8-67 Section 15.435 to serve the purposes of this subchapter, especially
8-68 in connection with projects described by Section 15.434(b);

8-69 (7) an evaluation of methods for encouraging

9-1 participation in the procurement process by companies domiciled in
 9-2 this state; and

9-3 (8) an evaluation of the overall operation, function,
 9-4 and structure of the fund.

9-5 (i) The advisory committee shall review the overall
 9-6 operation, function, and structure of the fund at least
 9-7 semiannually and may provide comments and recommendations to the
 9-8 board on any matter.

9-9 (j) The advisory committee may adopt rules, procedures, and
 9-10 policies as needed to administer this section and implement its
 9-11 responsibilities.

9-12 (k) Chapter 2110, Government Code, does not apply to the
 9-13 size, composition, or duration of the advisory committee.

9-14 (l) The advisory committee is subject to Chapter 325,
 9-15 Government Code (Texas Sunset Act). Unless continued in existence
 9-16 as provided by that chapter, the advisory committee is abolished
 9-17 and this section expires September 1, 2023.

9-18 (m) The advisory committee shall make recommendations to
 9-19 the board regarding information to be posted on the board's
 9-20 Internet website under Section 15.440(b).

9-21 Sec. 15.439. RULES. (a) The board shall adopt rules
 9-22 providing for the use of money in the fund that are consistent with
 9-23 this subchapter, including rules:

9-24 (1) establishing standards for determining whether
 9-25 projects meet the criteria provided by Section 15.434(b); and

9-26 (2) specifying the manner for prioritizing projects
 9-27 for purposes of Section 15.437.

9-28 (b) The board shall give full consideration to the
 9-29 recommendations of the advisory committee before adopting rules
 9-30 under this subchapter.

9-31 Sec. 15.440. REPORTING AND TRANSPARENCY REQUIREMENTS. (a)
 9-32 Not later than December 1 of each even-numbered year, the board
 9-33 shall provide a report to the governor, lieutenant governor,
 9-34 speaker of the house of representatives, and members of the
 9-35 legislature regarding the use of the fund, including the use of the
 9-36 fund to support projects that are for rural political subdivisions
 9-37 or agricultural water conservation or that are designed for water
 9-38 conservation or reuse as required by Section 15.434(b).

9-39 (b) The board shall post the following information on the
 9-40 board's Internet website regarding the use of the fund and
 9-41 regularly update the information posted:

9-42 (1) the progress made in developing needed water
 9-43 supply statewide and for the benefit of each regional water
 9-44 planning area; and

9-45 (2) for each regional water planning area, a
 9-46 description of each project funded through bonds supported by a
 9-47 bond enhancement agreement entered into under Section 15.435,
 9-48 including:

9-49 (A) the expected date of completion of the
 9-50 project; and

9-51 (B) the current status of the project.

9-52 Sec. 15.441. POLICIES AND PROCEDURES TO MITIGATE OR
 9-53 MINIMIZE ADVERSE EFFECTS OF CERTAIN FEDERAL LAWS. The board shall
 9-54 adopt, and may amend from time to time at the board's discretion,
 9-55 policies and procedures for the purpose of mitigating or minimizing
 9-56 the adverse effects, if any, of federal laws and regulations
 9-57 relating to income taxes, arbitrage, rebates, and related matters
 9-58 that may restrict the board's ability to freely invest all or part
 9-59 of the fund or to receive and retain all the earnings from the fund.

9-60 SUBCHAPTER H. STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

9-61 Sec. 15.471. DEFINITION. In this subchapter, "fund" means
 9-62 the state water implementation revenue fund for Texas.

9-63 Sec. 15.472. FUND. (a) The state water implementation
 9-64 revenue fund for Texas is a special fund outside the state treasury
 9-65 to be used by the board, without further legislative appropriation,
 9-66 for the purpose of providing financing for projects included in the
 9-67 state water plan that are authorized under Subchapter Q or R of this
 9-68 chapter, Subchapter E or F, Chapter 16, or Subchapter J, Chapter 17.
 9-69 The board may establish separate accounts in the fund. The board

10-1 has legal title to money and investments in the fund until the money
 10-2 is disbursed as provided by this subchapter and board rules.

10-3 (b) Money deposited to the credit of the fund may be used
 10-4 only as provided by this subchapter.

10-5 (c) The fund consists of:

10-6 (1) money transferred or deposited to the credit of
 10-7 the fund by law, including money from any source transferred or
 10-8 deposited to the credit of the fund at the board's discretion as
 10-9 authorized by law;

10-10 (2) the proceeds of any fee or tax imposed by this
 10-11 state that by statute is dedicated for deposit to the credit of the
 10-12 fund;

10-13 (3) any other revenue that the legislature by statute
 10-14 dedicates for deposit to the credit of the fund;

10-15 (4) investment earnings and interest earned on amounts
 10-16 credited to the fund;

10-17 (5) the proceeds from the sale of bonds, including
 10-18 revenue bonds issued by the board under this subchapter, that are
 10-19 designated by the board for the purpose of providing money for the
 10-20 fund; and

10-21 (6) money disbursed to the fund from the state water
 10-22 implementation fund for Texas as authorized by Section 15.434.

10-23 Sec. 15.473. MANAGEMENT AND INVESTMENT OF FUND. (a) Money
 10-24 deposited to the credit of the fund shall be invested as determined
 10-25 by the board. The fund may be invested with the state treasury
 10-26 pool.

10-27 (b) The fund and any accounts established in the fund shall
 10-28 be kept and maintained by or at the direction of the board.

10-29 (c) At the direction of the board, the fund and any accounts
 10-30 established in the fund may be kept and held in escrow and in trust
 10-31 by the comptroller or a corporate trustee that is a trust company or
 10-32 a bank that has the powers of a trust company for and on behalf of
 10-33 the board and pending their use for the purposes provided by this
 10-34 subchapter may be invested as provided by an order, resolution, or
 10-35 rule of the board.

10-36 (d) The comptroller or corporate trustee, as custodian,
 10-37 shall administer the fund in strict accordance with this subchapter
 10-38 and the orders, resolutions, and rules of the board.

10-39 Sec. 15.474. USE OF FUND. (a) Except as provided by
 10-40 Subsection (c), money in the fund may be used by the board only to
 10-41 provide financing or refinancing, under terms specified by the
 10-42 board, for projects included in the state water plan that are
 10-43 authorized under Subchapter Q or R of this chapter, Subchapter E or
 10-44 F, Chapter 16, or Subchapter J, Chapter 17.

10-45 (b) Financing or refinancing of projects described by
 10-46 Subsection (a) may be provided by using money in the fund to:

10-47 (1) make loans to fund participants or to purchase
 10-48 bonds or other obligations of fund participants bearing interest at
 10-49 a rate or rates determined by the board, including rates below
 10-50 prevailing market rates; or

10-51 (2) guarantee debt service payments on obligations of
 10-52 fund participants, or to purchase insurance guaranteeing such
 10-53 payments, if the board determines that the guarantee or purchase
 10-54 will:

10-55 (A) improve access to the credit market;

10-56 (B) reduce the interest cost of the obligations;

10-57 or

10-58 (C) enhance the value of the assets of the fund.

10-59 (c) The board may use money in the fund:

10-60 (1) as a source of revenue or security for:

10-61 (A) the payment of the principal of and interest
 10-62 on:

10-63 (i) revenue bonds issued by the board under
 10-64 this subchapter; or

10-65 (ii) other bonds issued by the board if the
 10-66 proceeds of the bonds will be deposited in the fund; or

10-67 (B) a bond enhancement agreement; or

10-68 (2) to pay the necessary and reasonable expenses of
 10-69 paying agents, bond counsel, and financial advisory services and

11-1 similar costs incurred by the board in administering the fund.
 11-2 Sec. 15.475. ISSUANCE OF REVENUE BONDS. (a) The board may
 11-3 issue revenue bonds for the purpose of providing money for the fund.
 11-4 (b) The board may issue revenue bonds to refund revenue
 11-5 bonds or bonds and obligations issued or incurred in accordance
 11-6 with other provisions of law.
 11-7 (c) Revenue bonds issued under this subchapter are special
 11-8 obligations of the board payable only from and secured by
 11-9 designated income and receipts of the fund, including principal of
 11-10 and interest paid and to be paid on fund assets or income from
 11-11 accounts created within the fund by the board, as determined by the
 11-12 board.
 11-13 (d) Revenue bonds issued under this subchapter do not
 11-14 constitute indebtedness of the state as prohibited by the
 11-15 constitution.
 11-16 (e) The board may require fund participants to make charges,
 11-17 levy taxes, or otherwise provide for sufficient money to pay
 11-18 acquired obligations.
 11-19 (f) Revenue bonds issued under this subchapter must be
 11-20 authorized by resolution of the board and must have the form and
 11-21 characteristics and bear the designations as the resolution
 11-22 provides.
 11-23 (g) Revenue bonds issued under this subchapter may:
 11-24 (1) bear interest at the rate or rates payable
 11-25 annually or otherwise;
 11-26 (2) be dated;
 11-27 (3) mature at the time or times, serially, as term
 11-28 revenue bonds, or otherwise in not more than 50 years from their
 11-29 dates;
 11-30 (4) be callable before stated maturity on the terms
 11-31 and at the prices, be in the denominations, be in the form, either
 11-32 coupon or registered, carry registration privileges as to principal
 11-33 only or as to both principal and interest and as to successive
 11-34 exchange of coupon for registered bonds or one denomination for
 11-35 bonds of other denominations, and successive exchange of registered
 11-36 revenue bonds for coupon revenue bonds, be executed in the manner,
 11-37 and be payable at the place or places inside or outside the state,
 11-38 as provided by the resolution;
 11-39 (5) be issued in temporary or permanent form;
 11-40 (6) be issued in one or more installments and from time
 11-41 to time as required and sold at a price or prices and under terms
 11-42 determined by the board to be the most advantageous reasonably
 11-43 obtainable; and
 11-44 (7) be issued on a parity with and be secured in the
 11-45 manner as other revenue bonds authorized to be issued by this
 11-46 subchapter or may be issued without parity and secured differently
 11-47 than other revenue bonds.
 11-48 (h) Section 17.955 applies to revenue bonds issued under
 11-49 this subchapter in the same manner as that section applies to water
 11-50 financial assistance bonds.
 11-51 (i) All proceedings relating to the issuance of revenue
 11-52 bonds issued under this subchapter shall be submitted to the
 11-53 attorney general for examination. If the attorney general finds
 11-54 that the revenue bonds have been authorized in accordance with law,
 11-55 the attorney general shall approve the revenue bonds, and the
 11-56 revenue bonds shall be registered by the comptroller. After the
 11-57 approval and registration, the revenue bonds are incontestable in
 11-58 any court or other forum for any reason and are valid and binding
 11-59 obligations in accordance with their terms for all purposes.
 11-60 (j) The proceeds received from the sale of revenue bonds
 11-61 issued under this subchapter may be deposited or invested in any
 11-62 manner and in such investments as may be specified in the resolution
 11-63 or other proceedings authorizing those obligations. Money in the
 11-64 fund or accounts created by this subchapter or created in the
 11-65 resolution or other proceedings authorizing the revenue bonds may
 11-66 be invested in any manner and in any obligations as may be specified
 11-67 in the resolution or other proceedings.
 11-68 Sec. 15.476. SUBCHAPTER CUMULATIVE OF OTHER LAWS. (a) This
 11-69 subchapter is cumulative of other laws on the subject, and the board

12-1 may use provisions of other applicable laws in the issuance of bonds
 12-2 and other obligations and the execution of bond enhancement
 12-3 agreements, but this subchapter is wholly sufficient authority for
 12-4 the issuance of bonds and other obligations, the execution of bond
 12-5 enhancement agreements, and the performance of all other acts and
 12-6 procedures authorized by this subchapter.

12-7 (b) In addition to other authority granted by this
 12-8 subchapter, the board may exercise the authority granted to the
 12-9 governing body of an issuer with regard to the issuance of
 12-10 obligations under Chapter 1371, Government Code.

12-11 SECTION 2.03. Section 15.973(b), Water Code, is amended to
 12-12 read as follows:

12-13 (b) The fund consists of:
 12-14 (1) appropriations from the legislature;
 12-15 (2) any other fees or sources of revenue that the
 12-16 legislature may dedicate for deposit to the fund;
 12-17 (3) repayments of loans made from the fund;
 12-18 (4) interest earned on money credited to the fund;
 12-19 (5) depository interest allocable to the fund;
 12-20 (6) money from gifts, grants, or donations to the
 12-21 fund;

12-22 (7) money from revenue bonds or other sources
 12-23 designated by the board; ~~and~~

12-24 (8) proceeds from the sale of political subdivision
 12-25 bonds or obligations held in the fund and not otherwise pledged to
 12-26 the discharge, repayment, or redemption of revenue bonds or other
 12-27 bonds, the proceeds of which were placed in the fund; and

12-28 (9) money disbursed to the fund from the state water
 12-29 implementation fund for Texas as authorized by Section 15.434.

12-30 SECTION 2.04. Section 15.974, Water Code, is amended by
 12-31 adding Subsection (b) to read as follows:

12-32 (b) The board shall transfer back to the state water
 12-33 implementation fund for Texas any money disbursed to the fund as
 12-34 described by Section 15.973(b)(9) if the requirements of Section
 12-35 15.435 are satisfied.

12-36 SECTION 2.05. Section 15.993, Water Code, is amended to
 12-37 read as follows:

12-38 Sec. 15.993. FUND. The rural water assistance fund is a
 12-39 special fund in the state treasury. The fund consists of:

12-40 (1) money directly appropriated to the board for a
 12-41 purpose of the fund;

12-42 (2) repayment of principal and interest from loans
 12-43 made from the fund not otherwise needed as a source of revenue
 12-44 pursuant to Section 17.9615(b);

12-45 (3) money transferred by the board from any sources
 12-46 available;

12-47 (4) interest earned on the investment of money in the
 12-48 fund and depository interest allocable to the fund;

12-49 (5) money transferred to the fund from the water
 12-50 assistance fund in accordance with Section 15.011(b), including
 12-51 proceeds from the sale of political subdivision bonds by the board
 12-52 to the Texas Water Resources Finance Authority that are deposited
 12-53 in the water assistance fund as provided by Section 17.0871;

12-54 (6) money from gifts, grants, or donations to the
 12-55 fund;

12-56 (7) money disbursed to the fund from the state water
 12-57 implementation fund for Texas as authorized by Section 15.434; and

12-58 (8) ~~(7)~~ any other fees or sources of revenue that
 12-59 the legislature may dedicate for deposit to the fund.

12-60 SECTION 2.06. Section 15.994, Water Code, is amended by
 12-61 adding Subsection (i) to read as follows:

12-62 (i) The board shall transfer back to the state water
 12-63 implementation fund for Texas any money disbursed to the fund as
 12-64 described by Section 15.993(7) if the requirements of Section
 12-65 15.435 are satisfied.

12-66 SECTION 2.07. Section 17.183, Water Code, is amended to
 12-67 read as follows:

12-68 Sec. 17.183. CONSTRUCTION CONTRACT REQUIREMENTS. (a) The
 12-69 governing body of each political subdivision receiving financial

13-1 assistance from the board shall require in all contracts for the
 13-2 construction of a project:

13-3 (1) that each bidder furnish a bid guarantee
 13-4 equivalent to five percent of the bid price;

13-5 (2) that each contractor awarded a construction
 13-6 contract furnish performance and payment bonds:

13-7 (A) the performance bond shall include without
 13-8 limitation guarantees that work done under the contract will be
 13-9 completed and performed according to approved plans and
 13-10 specifications and in accordance with sound construction
 13-11 principles and practices; and

13-12 (B) the performance and payment bonds shall be in
 13-13 a penal sum of not less than 100 percent of the contract price and
 13-14 remain in effect for one year beyond the date of approval by the
 13-15 engineer of the political subdivision; ~~and~~

13-16 (3) that payment be made in partial payments as the
 13-17 work progresses;

13-18 (4) that each partial payment shall not exceed 95
 13-19 percent of the amount due at the time of the payment as shown by the
 13-20 engineer of the project, but, if the project is substantially
 13-21 complete, a partial release of the five percent retainage may be
 13-22 made by the political subdivision with approval of the executive
 13-23 administrator;

13-24 (5) that payment of the retainage remaining due upon
 13-25 completion of the contract shall be made only after:

13-26 (A) approval by the engineer for the political
 13-27 subdivision as required under the bond proceedings;

13-28 (B) approval by the governing body of the
 13-29 political subdivision by a resolution or other formal action; and

13-30 (C) certification by the executive administrator
 13-31 in accordance with the rules of the board that the work to be done
 13-32 under the contract has been completed and performed in a
 13-33 satisfactory manner and in accordance with approved plans and
 13-34 specifications ~~[sound engineering principles and practices]~~;

13-35 (6) that no valid approval may be granted unless the
 13-36 work done under the contract has been completed and performed in a
 13-37 satisfactory manner according to approved plans and
 13-38 specifications; and

13-39 (7) that, if a political subdivision receiving
 13-40 financial assistance under Subchapter K of this chapter, labor from
 13-41 inside the political subdivision be used to the extent possible.

13-42 (b) Plans and specifications submitted to the board in
 13-43 connection with an application for financial assistance must
 13-44 include a seal by a licensed engineer affirming that the plans and
 13-45 specifications are consistent with and conform to current industry
 13-46 design and construction standards.

13-47 SECTION 2.08. Section 17.185(a), Water Code, is amended to
 13-48 read as follows:

13-49 (a) The board may inspect the construction of a project at
 13-50 any time to assure that ~~+~~

13-51 ~~[(1)]~~ the contractor is substantially complying with
 13-52 the approved engineering plans and specifications of the project ~~+~~
 13-53 ~~and~~

13-54 ~~[(2) the contractor is constructing the project in~~
 13-55 ~~accordance with sound engineering principles].~~

13-56 SECTION 2.09. Section 17.187, Water Code, is amended to
 13-57 read as follows:

13-58 Sec. 17.187. CERTIFICATE OF APPROVAL. The executive
 13-59 administrator may consider the following as grounds for refusal to
 13-60 give a certificate of approval for any construction contract:

13-61 (1) failure to construct the project according to
 13-62 approved plans and specifications; or

13-63 (2) ~~[failure to construct the works in accordance with~~
 13-64 ~~sound engineering principles, or~~

13-65 ~~[(3)]~~ failure to comply with any term of the contract.

13-66 SECTION 2.10. Section 17.276(c), Water Code, is amended to
 13-67 read as follows:

13-68 (c) The board has the sole responsibility and authority for
 13-69 selecting the political subdivisions to whom financial assistance

14-1 may be provided for treatment works and the amount of any such
14-2 assistance. [~~In consultation with and pursuant to agreement with~~
14-3 ~~the political subdivision, except as provided by Subsection (d) of~~
14-4 ~~this section, the board shall determine the location, time, design,~~
14-5 ~~scope, and all other aspects of the construction of a sewerage~~
14-6 ~~system for which financial assistance is provided.]~~

14-7 SECTION 2.11. Section 17.775(c), Water Code, is amended to
14-8 read as follows:

14-9 (c) The board has the sole responsibility and authority for
14-10 selecting the political subdivisions to whom financial assistance
14-11 may be provided and [7] the amount of any such assistance [~~and in~~
14-12 ~~consultation with and pursuant to agreement with the political~~
14-13 ~~subdivision, the board shall determine the location, time, design,~~
14-14 ~~scope, and all other aspects of the construction to be performed].~~

14-15 SECTION 2.12. Section 17.853(c), Water Code, is amended to
14-16 read as follows:

14-17 (c) The board may use the fund only:

14-18 (1) to provide state matching funds for federal funds
14-19 provided to the state water pollution control revolving fund or to
14-20 any additional state revolving fund created under Subchapter J,
14-21 Chapter 15;

14-22 (2) to provide financial assistance from the proceeds
14-23 of taxable bond issues to water supply corporations organized under
14-24 Chapter 67, and other participants;

14-25 (3) to provide financial assistance to participants
14-26 for the construction of water supply projects and treatment works;

14-27 (4) to provide financial assistance for an interim
14-28 construction period to participants for projects for which the
14-29 board will provide long-term financing through the water
14-30 development fund;

14-31 (5) to provide financial assistance for water supply
14-32 and sewer service projects in economically distressed areas as
14-33 provided by Subchapter K, Chapter 17, to the extent the board can
14-34 make that assistance without adversely affecting the current or
14-35 future integrity of the fund or of any other financial assistance
14-36 program of the board; [~~and~~]

14-37 (6) to provide funds to the water infrastructure fund
14-38 created under Section 15.973; and

14-39 (7) to provide funds to the state water implementation
14-40 revenue fund for Texas created under Section 15.472.

14-41 SECTION 2.13. Section 17.895, Water Code, is amended to
14-42 read as follows:

14-43 Sec. 17.895. SOURCES OF ASSETS. The fund is composed of:

14-44 (1) money and assets, including bond proceeds,
14-45 attributable to the bonds;

14-46 (2) investment income earned on money on deposit in
14-47 the fund and depository interest earned on money on deposit in the
14-48 state treasury;

14-49 (3) money appropriated by the legislature;

14-50 (4) repayments of principal and interest on loans made
14-51 under this subchapter;

14-52 (5) administrative fees charged by the board under the
14-53 bond program;

14-54 (6) money disbursed to the fund from the state water
14-55 implementation fund for Texas as authorized by Section 15.434; and

14-56 (7) [~~(6)~~] any other funds, regardless of their source,
14-57 that the board directs be deposited to the credit of the fund.

14-58 SECTION 2.14. Section 17.899, Water Code, is amended by
14-59 adding Subsection (c) to read as follows:

14-60 (c) The board shall transfer back to the state water
14-61 implementation fund for Texas any money disbursed to the fund as
14-62 described by Section 17.895(6) if the requirements of Section
14-63 15.435 are satisfied.

14-64 SECTION 2.15. Section 17.957, Water Code, is amended by
14-65 amending Subsection (b) and adding Subsection (d) to read as
14-66 follows:

14-67 (b) The state participation account is composed of:

14-68 (1) money and assets attributable to water financial
14-69 assistance bonds designated by the board as issued for projects

15-1 described in Section 16.131;

15-2 (2) money from the sale, transfer, or lease of a
15-3 project described in Subdivision (1) that was acquired,
15-4 constructed, reconstructed, developed, or enlarged with money from
15-5 the state participation account;

15-6 (3) payments received under a bond enhancement
15-7 agreement with respect to water financial assistance bonds
15-8 designated by the board as issued for projects described in Section
15-9 16.131;

15-10 (4) investment income earned on money on deposit in
15-11 the state participation account;

15-12 (5) money disbursed to the fund from the state water
15-13 implementation fund for Texas as authorized by Section 15.434; and

15-14 (6) ~~[-5-]~~ any other funds, regardless of their source,
15-15 that the board directs be deposited to the credit of the state
15-16 participation account.

15-17 (d) The board shall transfer back to the state water
15-18 implementation fund for Texas any money disbursed to the fund as
15-19 described by Subsection (b)(5) of this section if the requirements
15-20 of Section 15.435 are satisfied.

15-21 SECTION 2.16. Section 49.153(e), Water Code, is amended to
15-22 read as follows:

15-23 (e) Subsection (c) does not apply to:

15-24 (1) a note issued to and approved by ~~the~~:

15-25 (A) the Farmers Home Administration;

15-26 (B) the United States Department of Agriculture;

15-27 (C) the Texas Water Development Board; ~~or~~

15-28 (D) the North American Development Bank; or

15-29 (E) a federally chartered instrumentality of the

15-30 United States authorized under 12 U.S.C. Section 2128(f) to provide

15-31 financing for water and waste disposal facilities; or

15-32 (2) a district described by Section 49.181(h).

15-33 SECTION 2.17. Section 49.181(a), Water Code, is amended to
15-34 read as follows:

15-35 (a) A district may not issue bonds unless the commission
15-36 determines that the project to be financed by the bonds is feasible
15-37 and issues an order approving the issuance of the bonds. This
15-38 section does not apply to:

15-39 (1) refunding bonds if the commission issued an order
15-40 approving the issuance of the bonds or notes that originally
15-41 financed the project;

15-42 (2) refunding bonds that are issued by a district
15-43 under an agreement between the district and a municipality allowing
15-44 the issuance of the district's bonds to refund bonds issued by the
15-45 municipality to pay the cost of financing facilities;

15-46 (3) bonds issued to and approved by the Farmers Home
15-47 Administration, the United States Department of Agriculture, the
15-48 North American Development Bank, ~~or~~ the Texas Water Development
15-49 Board, or a federally chartered instrumentality of the United
15-50 States authorized under 12 U.S.C. Section 2128(f) to finance such a
15-51 project;

15-52 (4) refunding bonds issued to refund bonds described
15-53 by Subdivision (3); or

15-54 (5) bonds issued by a public utility agency created
15-55 under Chapter 572, Local Government Code, any of the public
15-56 entities participating in which are districts if at least one of
15-57 those districts is a district described by Subsection (h)(1)(E).

15-58 SECTION 2.18. (a) As soon as practicable after the
15-59 effective date of this Act, the lieutenant governor and the speaker
15-60 of the house of representatives shall appoint the initial
15-61 appointive members of the State Water Implementation Fund for Texas
15-62 Advisory Committee as provided by Section 15.438, Water Code, as
15-63 added by this Act.

15-64 (b) Notwithstanding Subsection (a) of this section and
15-65 Section 15.438, Water Code, as added by this Act, if the lieutenant
15-66 governor and the speaker of the house of representatives do not
15-67 appoint the initial appointive members of the State Water
15-68 Implementation Fund for Texas Advisory Committee as provided by
15-69 Section 15.438, Water Code, as added by this Act, by December 1,

16-1 2013:

16-2 (1) the presiding officer of the committee of the
16-3 senate having primary jurisdiction over natural resources and the
16-4 presiding officer of the committee of the house of representatives
16-5 having primary jurisdiction over natural resources serve as initial
16-6 members of the advisory committee and as the initial co-presiding
16-7 officers of the advisory committee;

16-8 (2) the presiding officer of the committee of the
16-9 senate having primary jurisdiction over natural resources shall
16-10 appoint two members of the senate to serve as initial members of the
16-11 advisory committee, including a member who meets the requirements
16-12 of Section 15.438(a)(2)(A), Water Code, as added by this Act; and

16-13 (3) the presiding officer of the committee of the
16-14 house of representatives having primary jurisdiction over natural
16-15 resources shall appoint two members of the house of representatives
16-16 to serve as initial members of the advisory committee, including a
16-17 member who meets the requirements of Section 15.438(a)(3)(A), Water
16-18 Code, as added by this Act.

16-19 SECTION 2.19. (a) Not later than September 1, 2014, the
16-20 State Water Implementation Fund for Texas Advisory Committee shall
16-21 submit recommendations to the Texas Water Development Board on the
16-22 rules to be adopted by the board under Sections 15.439(a)(1) and
16-23 (2), Water Code, as added by this Act.

16-24 (b) Not later than the later of the 90th day after the date
16-25 the Texas Water Development Board receives the recommendations
16-26 described by Subsection (a) of this section or March 1, 2015, the
16-27 board shall adopt rules under Section 15.439, Water Code, as added
16-28 by this Act.

16-29 SECTION 2.20. As soon as practicable after the effective
16-30 date of this Act, the Texas Water Development Board shall create a
16-31 stakeholders committee under Section 15.436(c), Water Code, as
16-32 added by this Act.

16-33 SECTION 2.21. Not later than December 1, 2013, the
16-34 stakeholders committee created by the Texas Water Development Board
16-35 under Section 15.436(c), Water Code, as added by this Act, shall
16-36 submit the standards established by the committee under that
16-37 subsection to the board.

16-38 SECTION 2.22. (a) Each regional water planning group shall
16-39 prepare a draft prioritization of the projects included in the
16-40 regional water plan most recently adopted by the group in
16-41 accordance with Section 15.436, Water Code, as added by this Act,
16-42 and submit the draft prioritization of the projects to the Texas
16-43 Water Development Board not later than June 1, 2014. The board
16-44 shall provide comments to each regional water planning group on the
16-45 draft prioritization submitted by the group. Each regional water
16-46 planning group shall submit a final prioritization of the projects
16-47 to the board not later than September 1, 2014.

16-48 (b) Section 15.436(d), Water Code, as added by this Act,
16-49 applies to a regional water plan beginning with the plan that is
16-50 required to be submitted to the Texas Water Development Board by
16-51 January 5, 2016.

16-52 SECTION 2.23. The Texas Water Development Board shall post
16-53 the information described by Section 15.440(b), Water Code, as
16-54 added by this Act, on the board's Internet website not later than
16-55 March 1, 2014.

16-56 ARTICLE 3. EFFECTIVE DATE

16-57 SECTION 3.01. This Act takes effect September 1, 2013.

16-58 * * * * *